

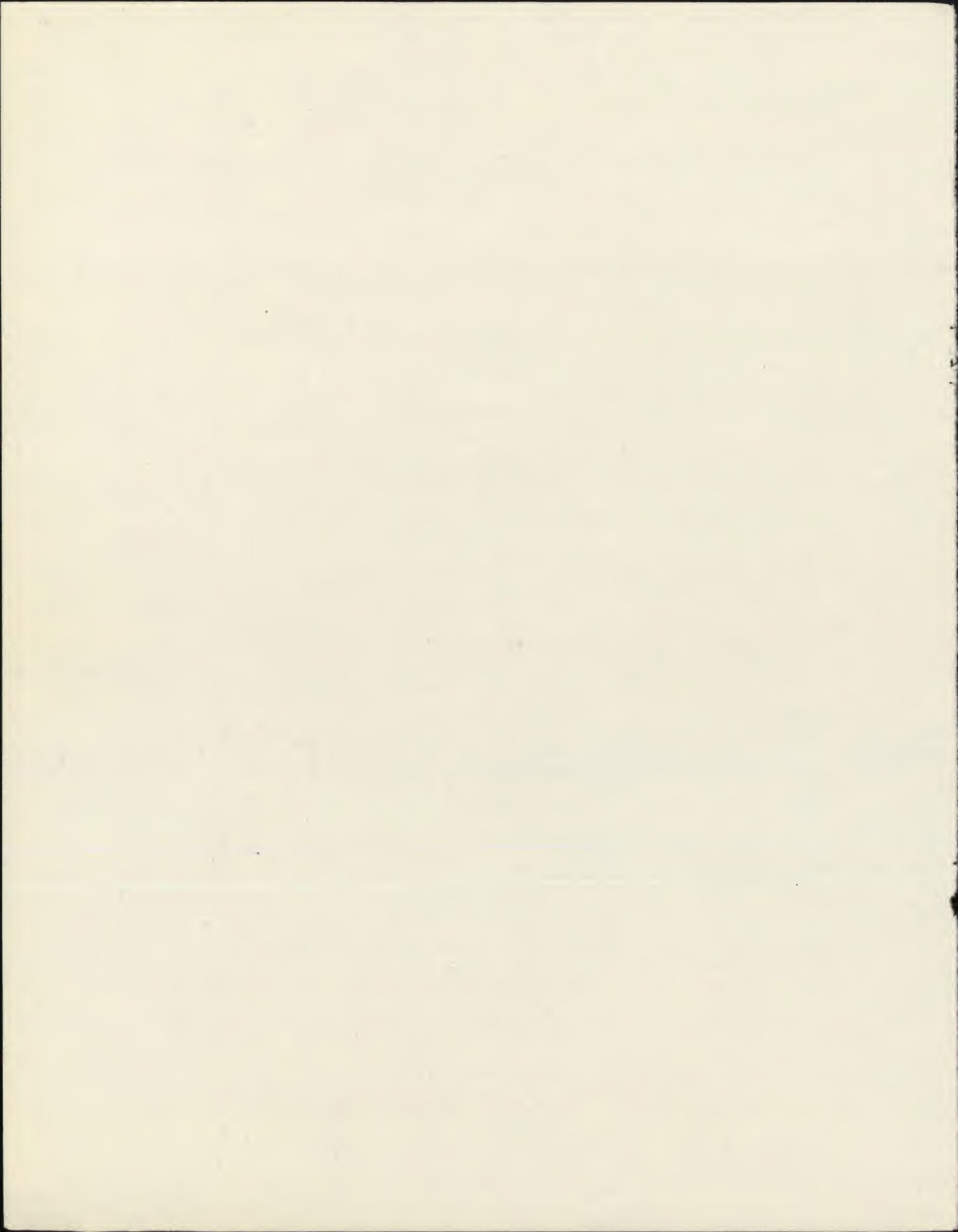
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CORPORATION FILE

Walgreen

DRUG STORES

WALGREEN CO. (An Illinois Corporation) AND SUBSIDIARY COMPANIES
ANNUAL REPORT TO STOCKHOLDERS—SEPTEMBER 30, 1945

MRB
Corp. File



OFFICERS AND DIRECTORS

CHARLES R. WALGREEN, JR.....	<i>Director—President</i>
SANFORD J. BOWYER.....	<i>Director—Vice President</i>
HARRY GOLDSTINE.....	<i>Director—Vice President</i>
WILLIAM G. JOHNSTON.....	<i>Director—Vice President</i>
ROBERT G. KNIGHT.....	<i>Director—Vice President and Treasurer</i>
ROLAND G. SCHMITT.....	<i>Director—Vice President and Secretary</i>
A. L. STARSHAK.....	<i>Director—Vice President</i>
RAY E. WALKER.....	<i>Director—Agency Division</i>
JAMES E. WARD.....	<i>Director—Vice President</i>
BERT O. PINCH.....	<i>Assistant Secretary</i>
O. G. GILE.....	<i>Assistant Secretary</i>
P. J. REDFORD.....	<i>Assistant Secretary</i>
W. J. COONEY.....	<i>Assistant Treasurer</i>

TRANSFER AGENTS

In Chicago	FIRST NATIONAL BANK
In New York	GUARANTY TRUST CO.

REGISTRARS

In Chicago	HARRIS TRUST & SAVINGS BANK
In New York	COMMERCIAL NATIONAL BANK & TRUST CO.

AUDITORS

ARTHUR ANDERSEN & Co., CHICAGO

Walgreen

DRUG STORES

November 24, 1945.

TO OUR STOCKHOLDERS:

Earnings per share of common stock were \$2.20 after a provision of \$400,000 for postwar contingencies. In the previous fiscal year per-share earnings were \$2.25, and provision for postwar contingencies \$600,000. Further additions to this reserve—which now amounts to \$1,500,000—are not anticipated, since it has accomplished its purpose as mentioned in last year's letter. Certain types of charges are expected to be made against it as soon as the supply of materials and labor makes it possible to proceed with our already completed plans to modernize numerous existing stores—either by extensive remodeling or enlargement. Our program also includes the opening of a number of new stores.

During the year we were able to open only 3 new stores. We re-opened 3, closed 20 of our smaller stores and one was substantially destroyed by fire. At the end of the fiscal year we were operating 427 stores.

Sales were 1% lower than those of last year, which were at an all-time record. More than the decrease was represented by reduced sales of cigarettes. Although many war-time shortages still exist, a number of items previously scarce are now rapidly becoming available.

Wage costs during the past year again were higher in general, and upward adjustments were given a substantial number of key personnel whose compensation had been "frozen" by government regulation for over three years, but whose responsibilities had been increased.

During the course of the war, 2775 of our men and women were on leave of absence serving with the armed forces of our Country. While only 170 have so far returned, we have good reason to believe that a large number will rejoin us in the next few months, as we have kept in frequent touch with them throughout their absence. These veterans—some of whom have incurred physical handicaps—are going to work at the jobs they left, and in many cases at better ones, with enthusiasm and competence. We have also employed 380 honorably discharged servicemen who had not worked for us previously—many having gone into service directly from school.

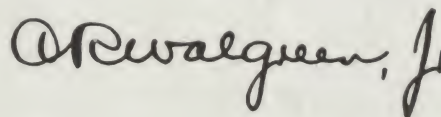
Training programs for employees have been fully worked out in terms of our principal activities, and an experienced and capable training staff assembled. Successful test programs have convinced us that we have substantially the correct pattern. These programs are being put into effect as quickly as our training staff can cover the various territories.

Last year I had the pleasure of reporting to you that we had bought for Company account, sold to our employees under payroll allotment plans, and sold across the counters to our customers, over twenty million dollars of U. S. Bonds, notes and stamps. This year the total was nearly twenty-eight million, including 2½ million sold in connection with our radio "birthday party" in June. I am happy to repeat the grateful acknowledgments made last year to volunteer workers, women's community organizations and our own people, and to add to this roll of honor the names of those participating in our radio "birthday party". In the current Victory Bond Drive we are subscribing on a substantial basis in every community in which we operate, and lending every aid through our retail locations. As always before, the many banks with which we maintain accounts all over the country are co-operating in full measure with all of our efforts.

You will find some pictures of stores and their managers, and some information about both, in the later pages of this booklet. They have been placed there in the belief that you, as a part owner of the business, will be interested in the kind of stores we have and the men who operate them. Space is, of course, limited; the material included is intended to be representative, rather than exceptional.

Our store managers and other experienced men and women have again done an outstanding job under most difficult conditions. We hope that the early return of our war veterans will soon give assistance in rebuilding our service to a proper standard.

Sincerely,

A handwritten signature in cursive script that reads "A. Walgreen, Jr." The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

President.

WALGREEN CO. AND

CONSOLIDATED BALANCE SHEETS—

ASSETS

	1945	1944
CURRENT ASSETS:		
Cash	\$ 8,641,027	\$ 9,939,412
United States Treasury tax notes and bonds.....	7,001,393	7,450,881
Accounts receivable, less reserves.....	697,900	790,078
Inventories of merchandise, priced at the lower of cost or market.....	14,851,753	15,153,670
TOTAL CURRENT ASSETS.....	31,192,073	33,334,041
PREPAID RENT, INSURANCE, TAXES, ETC.	736,899	681,747
INVESTMENTS AND OTHER ASSETS:		
Postwar excess profits tax credit (remainder at September 30, 1945 included in United States Treasury tax notes and bonds above).....	—	290,000
Investments in and advances to affiliated companies.....	428,053	428,163
Stocks and bonds of other companies, at cost.....	305,970	443,981
Notes and accounts receivable, less reserves.....	282,370	145,193
TOTAL INVESTMENTS AND OTHER ASSETS.....	1,016,393	1,307,337
FIXED ASSETS:		
Cost—		
Land	119,413	388,973
Buildings (including buildings on leased land).....	1,018,300	1,338,970
Equipment	10,202,330	10,312,348
	11,340,043	12,040,291
Less—Reserves for depreciation	6,918,023	6,584,622
TOTAL FIXED ASSETS.....	4,422,020	5,455,669
SHORT LIFE EQUIPMENT, at cost less amortization.....	67,766	188,448
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	1	1
	\$37,435,152	\$40,967,243

SUBSIDIARY COMPANIES

SEPTEMBER 30, 1945 AND SEPTEMBER 30, 1944

LIABILITIES

	1945	1944
CURRENT LIABILITIES:		
Trade accounts payable	\$ 3,312,232	\$ 3,032,803
Provision for Federal taxes on income.....	4,847,315	6,752,638
Accrued expenses and taxes, and other liabilities.....	2,268,722	2,120,520
TOTAL CURRENT LIABILITIES.....	10,428,269	11,905,961
 RESERVE FOR POSTWAR CONTINGENCIES.....	 1,500,000	 1,100,000
 CAPITAL STOCK AND SURPLUS:		
Preferred stock—		
4% cumulative, par value \$100 per share; redeemable on call or in voluntary liquidation at \$4 to \$1 per share premium; if available, a minimum of 1,000 shares must be purchased yearly for retirement, at not less than par nor more than current redemption price, and, if the accumulated number of shares to be so purchased exceeds 5,000, the excess must be redeemed (present unfilled orders total 2,500 shares)—		
Authorized and outstanding 65,000 shares.....	6,500,000	—
4½% cumulative, total par value less cost of treasury stock; entire issue canceled and retired in November, 1944.....	—	9,488,813
 Common stock without par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	11,484,112	11,484,112
Earned surplus, per accompanying statement.....	7,522,771	6,988,357
TOTAL CAPITAL STOCK AND SURPLUS.....	25,506,883	27,961,282
	\$37,435,152	\$40,967,243

WALGREEN CO. AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

For the Years Ended September 30, 1945 and September 30, 1944

	1945	1944
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$119,174,822	\$120,340,841
Other income (net).....	311,145	564,892
	119,485,967	120,905,733
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	109,809,198	108,710,925
Depreciation of buildings and equipment.....	714,395	985,544
Provision for contribution to employees' retirement pension trust....	485,000	458,000
Improvements to leased properties.....	36,275	33,097
Lease cancellations	3,150	257,005
Capital stock, State income and franchise taxes.....	230,486	270,215
Losses and write-downs on real estate and real estate investments (net)	107,131	206,253
Provision for Federal taxes on income—		
Normal tax and surtax.....	1,750,000	1,800,000
Excess profits tax	2,820,000	4,250,000
	115,955,635	116,971,039
NET PROFIT BEFORE PROVISION FOR POSTWAR CONTINGENCIES.....	3,530,332	3,934,694
PROVISION FOR POSTWAR CONTINGENCIES.....	400,000	600,000
NET PROFIT AFTER PROVISION FOR POSTWAR CONTINGENCIES.....	\$ 3,130,332	\$ 3,334,694

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For the Years Ended September 30, 1945 and September 30, 1944

BALANCE BEGINNING OF YEAR.....	\$ 6,988,357	\$ 6,145,636
NET PROFIT AFTER PROVISION FOR POSTWAR CONTINGENCIES.....	3,130,332	3,334,694
	10,118,689	9,480,330
DEDUCT:		
Dividends paid—		
To preferred stockholders.....	282,355	423,997
To common stockholders.....	2,067,976	2,067,976
Refinancing charges—		
Premium on exchange and redemption of 4½% preferred stock, \$311,900; less excess of par value over cost of treasury preferred stock retired, \$66,313.....	245,587	—
	2,595,918	2,491,973
BALANCE END OF YEAR.....	\$ 7,522,771	\$ 6,988,357

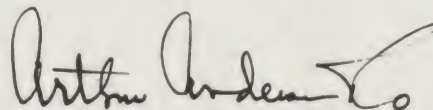
ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,
Walgreen Co.:

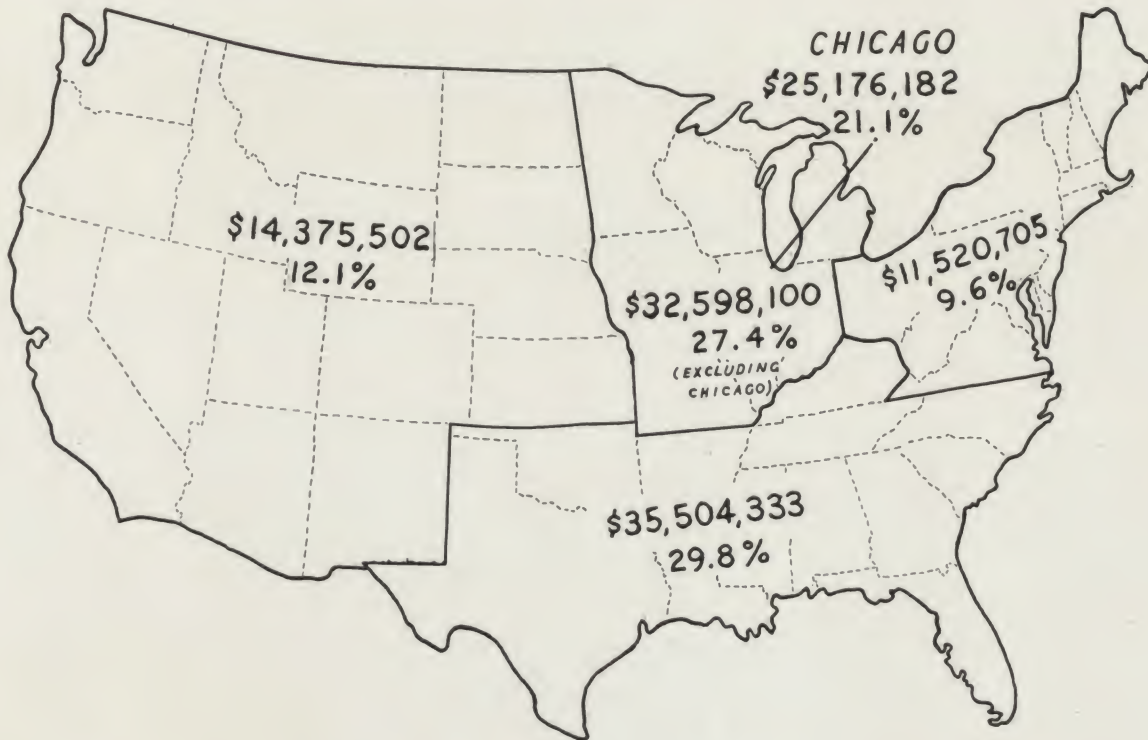
We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1945 and the statements of consolidated profit and loss and earned surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended September 30, 1944.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus present fairly the position of Walgreen Co. and subsidiary companies at September 30, 1945 and the results of their operations for the fiscal year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chicago, Illinois,
November 16, 1945.

DISTRIBUTION OF NET SALES



As a stockholder, you are interested in the progress of your company. Our stores are convenient. They sell a very wide variety of merchandise, including our own preparations, which are of unsurpassed quality. We solicit your increased patronage—on the very practical ground of your own interest—both as a stockholder and as a customer.

**This is a reduced
size copy of a recent
newspaper
advertisement**

Are You Asking Yourself These Questions?

WHEN

can I buy ALARM CLOCKS? GOLF BALLS?



WHERE

can I find a new ELECTRIC IRON?



WHAT

are my chances of getting a new RADIO?



WHO

will be the first to offer new CAMERAS?



HOW

will I know when hard-to-get items like these are again available?

Here's Walgreen's Answer

We are getting some of these items now and we will get increasing quantities and wider variety quite soon.

As each shipment comes in we are distributing it equitably so that each of our stores may offer its fair share to you and our other customers.

All scarce merchandise is immediately put on display and offered all our customers. We are *not* holding it back to make capital out of it and we are not hiding it for a favored few. We cannot, in most instances, advertise it, as quantities—while generous on some items—are still not sufficient to supply everyone, and we are notably opposed to "bait" advertising. You will see this merchandise

on display as soon as it is received.

Just what does this mean to you as a Walgreen customer?

It means that it will pay you to *keep your eye on Walgreen's!* Drop in frequently. That's comparatively easy since our stores are conveniently located in your neighborhood. If you don't see what you are looking for today, drop in again tomorrow.

After all, for many years folks everywhere have learned to look to Walgreen's *first* for personal needs and home necessities of this type—*made right, sold right*. We firmly intend to enhance that reputation in the years to come.

WALGREEN DRUG STORES

Dr. Walgreen, Jr.

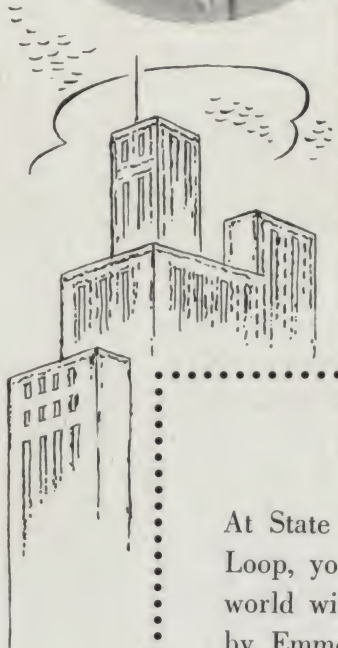
PRESIDENT

For the things you've missed . . .

KEEP YOUR EYE ON WALGREEN'S



E. C. Sweeney
CHICAGO



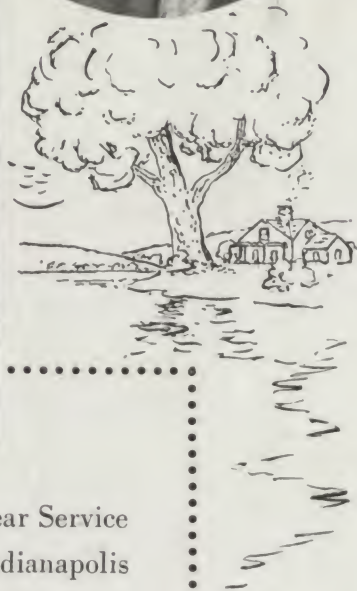
At State and Randolph Streets in Chicago's Loop, you'll find the only drug store in the world with an escalator. It's ably managed by Emmet C. Sweeney, a Walgreen veteran who was graduated from the College of Pharmacy at the University of Iowa when he was 21, and has successfully managed seven of our larger super stores in the 17 years he's been with our Company. His wife, Ann, was with us for 12 years. Mr. Sweeney's favorite hobby is daughter Kathleen, three.



ILLINOIS

F. W. Krueger

FORT WAYNE



Proud wearer of the Walgreen 25-year Service Award watch and graduate of the Indianapolis College of Pharmacy, Fred Krueger manages our store in historic Fort Wayne, Indiana. Governor Gates of Indiana has recently honored both our Company and Mr. Krueger by appointing him to membership on the Indiana State Board of Pharmacy. Mr. Krueger has a son who is also a pharmacist—and two young grand-daughters.

INDIANA

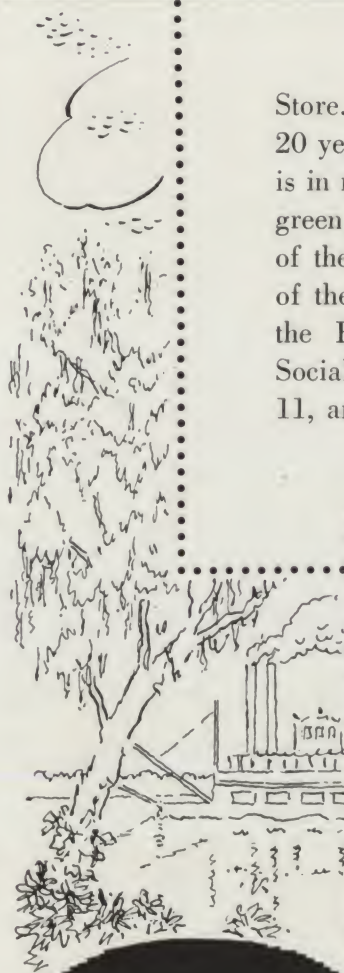


L. Spinadel

NEW ORLEANS

At the corner of Canal and Baronne in the heart of New Orleans, city of romance, history, beauty, and the world-famous Mardi Gras, you'll find a 2-storied Walgreen Drug

Store. Civic-minded Leo Spinadel received his 20 year Service Pin 3 years ago. Busy as he is in managing this large and important Walgreen unit, he still finds time to be president of the New Orleans Kiwanis Club, Chairman of the USO Talent Bureau, and to serve on the Executive Board of Boy Scouts and Social Agencies. The Spinadels have a son, 11, and a daughter, one.



LOUISIANA

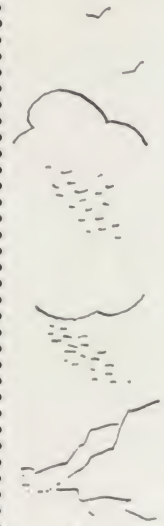


F. C. Reilly

ALBUQUERQUE



Down in the valley of the Rio Grande, in the heart of the old Southwest, is the city of Albuquerque, New Mexico. Prominently located in the downtown section of Albuquerque is a modern Walgreen Drug Store. It is managed by Francis Reilly, a graduate both of the University of St. Louis and of the St. Louis College of Pharmacy. He had the distinction of being president of his graduating class. Mr. Reilly is president of the New Mexico Pharmaceutical Association and vice-president of the Albuquerque Lions Club. He is married and has a ten year old son.



NEW MEXICO



Sketch of installation to be made soon.

NEW YORK

At the "Crossroads of the World" in Times Square is the Paramount Building, and in its corner you'll find a Walgreen store that is "Paramount" in both name and description. From the Great White Way and the Theatre District come more stage, screen and radio celebrities as regular customers than to any other drug store in the world. Walgreen-veteran of 20 years' service is Manager Isadore Ladenson, who started his Walgreen career as Apprentice in one of our Chicago stores. He went to New York at the original opening of the Paramount, as Assistant Manager, then was in charge of other New York stores, and returned in 1935 as the Manager of his favorite store. Mr. Ladenson's wife and daughter share his hobby—collecting classical phonograph records.



NEW YORK

I. Ladenson



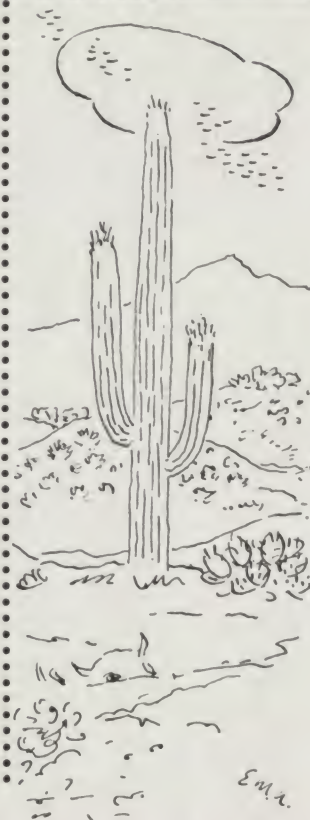


OGDEN

Joseph Jensen literally started his drug store career at the age of 13. That was in California where he later attended the College of Pharmacy in San Francisco and passed his State Board examination. In 1920, he joined Schramm Johnson Drug Stores of Salt Lake City, since 1930 a part of our Company. He has managed our busy store in the city of Ogden for the past three years. Mr. Jensen is justly proud of his two daughters and two sons. One son, recently discharged from the Navy, is now attending Pharmacy School. The older son, already a pharmacist, is with the U. S. Army in Japan; however, we are looking forward to the time when he can resume his manager-ship of one of our stores and again become his father's friendly rival.



J. R. Jensen



UTAH





